EXHIBIT A

8-K 1 a04-3175_18k.htm 8-K

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 5, 2004

Extended Stay America, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**001-13125**	**36-3996573**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(IRS Employer Identification No.)

100 Dunbar Street
Spartanburg, SC 29306
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(864) 573-1600**

N/A
(Former name or former address, if changed since last report)

Item 5. Other Events.

On March 5, 2004, Extended Stay America, Inc. ("Extended Stay") announced that it had signed a definitive agreement to be acquired by affiliates of The Blackstone Group (collectively, "Blackstone") for $19.625 per share, in cash. The Board of Directors of Extended Stay unanimously approved the agreement in a special meeting on March 5, 2004. The transaction is subject to Extended Stay stockholder approval and other customary conditions, and is expected to be completed during the second quarter 2004.

A copy of the press release issued by Extended Stay on March 5, 2004, announcing the Blackstone transaction, is attached hereto as Exhibit 99.1 and is incorporated herein by this reference.

Item 7. Financial Statements and Exhibits.

(c) Exhibits.

Exhibit Number	Description of Exhibit
99.1	Press Release, dated March 5, 2004, of Extended Stay America, Inc., announcing a definitive agreement to be acquired by affiliates of The Blackstone Group.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: March 5, 2004

Extended Stay America, Inc.

By: /s/ JAMES A. OVENDEN
James A. Ovenden
Chief Financial Officer

EX-99.1 3 a04-3175_1ex99d1.htm EX-99.1

Exhibit 99.1

[Extended Stay America, Inc. Logo]

For Immediate Release

Contact: For Extended Stay America, Inc.
Corry W. Oakes III, President and COO
James A. Ovenden, CFO
(864) 573-1600

For The Blackstone Group
John Ford, VP Corporate Communications
(212) 583-5559

THE BLACKSTONE GROUP TO ACQUIRE EXTENDED STAY AMERICA, INC.

Spartanburg, SC – March 5, 2004 - Extended Stay America, Inc. (NYSE: ESA) announced today that it had signed a definitive agreement to be acquired by affiliates of The Blackstone Group for $19.625 per share. The price represents a premium of 24% over the closing price of $15.81 today and an increase of 204% for shareholders since the initial public offering on December 15, 1995. The total value of the transaction, including debt, is over $3.1 billion. ESA currently operates 475 extended-stay hotels in 42 states and has been the fastest growing owned and operated hotel company since its founding in January 1995.

The Board of Directors of Extended Stay America (ESA) unanimously approved the agreement in a special meeting today. The transaction is subject to shareholder approval and other customary conditions and is expected to be completed during the second quarter 2004.

Affiliates of Blackstone Real Estate Partners IV and Blackstone Capital Partners IV are the acquiring entities.

Blackstone plans to maintain the headquarters operations of Extended Stay America in Spartanburg, SC. Homestead Studio Suites, another Blackstone holding which currently owns and operates 132 extended stay hotels, will oversee management of the Extended Stay America hotel portfolio. There are currently no plans to re-brand the Extended Stay America properties.

In making the announcement, George D. Johnson, Jr., Chief Executive Officer of ESA, commented, "The Board of Directors is pleased with the terms of this acquisition and believes it is in the best interests of the Company's shareholders. Blackstone has a proven record of accomplishment in the extended stay segment." He added, "The Board is especially grateful to the excellent team of leaders and employees who have built this company from scratch into such a formidable hotel operation."

Stephen A. Schwarzman, President and CEO of The Blackstone Group, said, "We are excited to be acquiring Extended Stay America. This transaction will benefit from our long track record and existing expertise in the hotel sector. That expertise, combined with the seasoned ESA team, augurs well for the future of the company."

A special shareholder meeting will be announced soon to obtain shareholder approval.

The Company will host a live teleconference/webcast at 10:00 a.m. Eastern Standard Time (EST) on Monday, March 8, 2004. The webcast can be accessed via the Company's website at www.extendedstay.com in the Investor Information section.

EXTENDED STAY AMERICA, INC.
THE BLACKSTONE GROUP TO ACQUIRE EXTENDED STAY AMERICA, INC.

Morgan Stanley & Co. Incorporated is serving as financial advisor to ESA and Bear Stearns & Co. Inc. is serving as financial advisor for Blackstone. Bear Stearns and Bank of America are providing acquisition financing for the transaction. Shearman & Sterling LLP and Simpson Thacher & Bartlett LLP acted as legal advisers to ESA and Blackstone, respectively.

Certain statements and information included in this release constitute "forward-looking statements" within the meaning of the Federal Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied in such forward-looking statements. Additional discussion of factors that could cause actual results to differ materially from management's projections, forecasts, estimates and expectations is contained in the Company's SEC filings.

In connection with the proposed merger, the Company will file a proxy statement with the Securities and Exchange Commission. INVESTORS AND SECURITY HOLDERS ARE ADVISED TO READ THE PROXY STATEMENT WHEN IT BECOMES AVAILABLE, BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION. Investors and security holders may obtain a free copy of the proxy statement (when available) and other documents filed by the Company at the Securities and Exchange Commission's web site at www.sec.gov. The proxy statement and such other documents may also be obtained for free from the Company by directing such request to the Company, Attention: Corry Oakes, 100 Dunbar Street, Spartanburg, SC 29306, Telephone: (864) 573-1615.

The Company and its directors, executive officers and other members of its management and employees may be deemed to be participants in the solicitation of proxies from its shareholders in connection with the proposed merger. Information concerning the interests of Company's participants in the solicitation is set forth in the Company's proxy statements, Annual Reports on Form 10-K, Current Report on Form 8-K filed January 28, 2004 and Current Report on Form 8-K filed June 30, 2003 previously filed with the Securities and Exchange Commission, and in the proxy statement relating to the merger when it becomes available.

About The Blackstone Group
The Blackstone Group, a private investment firm with offices in New York, London and Hamburg, was founded in 1985. Blackstone's Private Equity Group has raised a total of approximately $14 billion across five funds including Blackstone Capital Partners IV, the largest institutional private equity fund ever raised. Blackstone's Real Estate Group has raised five funds, representing over $6 billion in total equity, and a long track record of investing in hotels and other commercial properties. In addition to Private Equity and Real Estate, The Blackstone Group's core businesses include, Corporate Debt Investing, Marketable Alternative Asset Management, Mergers and Acquisitions Advisory, and Restructuring and Reorganization Advisory. www.blackstone.com

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QuickLinks -- Click here to rapidly navigate through this document

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

☒ Preliminary Proxy Statement

☐ Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

☐ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

EXTENDED STAY AMERICA, INC.

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if Other Than Registrant)

Payment of Filing Fee (Check the appropriate box):

☐ No fee required.

☒ Fee computed below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:
Common stock, par value $0.01 per share, of Extended Stay America, Inc. ("ESA common stock")

(2) Aggregate number of securities to which transaction applies:
98,076,797 shares of ESA common stock
16,198,048 options to purchase shares of ESA common stock

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11. (Set forth the amount on which the filing fee is calculated and state how it was determined):
$19.625 per share of ESA common stock
$19.625 minus weighted average exercise price of outstanding options of $12.5143 per share subject to an option

(4) Proposed maximum aggregate value of transaction:
$2,039,936,601.03

Financing

In connection with the merger, the parent will cause approximately $2.04 billion in cash to be paid to our stockholders and holders of stock options. In addition, our credit agreement will be repaid and the parent anticipates that substantially all our senior subordinated notes will be repurchased. We currently have approximately $631.6 million of outstanding borrowings under our credit agreement and $500 million aggregate principal amount of senior subordinated notes outstanding. See "The Merger Agreement—~~Debt Tender Offers and Consent Solicitations~~" and "The Merger Agreement—Conditions to the Merger."

These payments are expected to be funded by a combination of equity contributions by the investors in the parent and debt financing. It is expected that investors in the parent ~~will contribute approximately $680 million of equity and that~~ the remaining funds necessary to finance the acquisition and ~~related debt refinancings will be obtained through the parent~~'s deb financing.

In connection with the execution and delivery of the merger agreement, the parent obtained a commitment letter from Bear Stearns Commercial Mortgage, Inc. and Bank of America, N.A. providing for $2.662 billion in debt financing. The funds to be borrowed pursuant to the commitment letter are to be secured by, among other things, first priority mortgage liens on substantially all of the properties of the Company and its subsidiaries, a first priority assignment of all leases and rents attributable to the properties, and a first priority assignment of all security accounts and other reserves and escrows for the properties. The financing will be non-recourse, subject to customary exceptions.

The commitment is conditioned on the merger being consummated by September 5, 2004 and other customary conditions. The lenders have the right to terminate the commitment under certain circumstances, including:

- the occurrence of events which are substantially similar to the events constituting a "market MAC" that are described in "The Merger Agreement—Conditions to the Merger," and
- if the parent is entitled to terminate the merger agreement as a result of a breach of certain representations and warranties made by the Company. See "The Merger Agreement—Termination."

The merger agreement does not contain a financing condition, although it does contain a condition, which we refer to as the "market MAC" condition, which is satisfied if certain specified market disruptions do not occur. See "The Merger Agreement—Conditions to the Merger."

Under the terms of the merger agreement, the parent has agreed to use its reasonable best efforts to arrange its debt financing on the terms and conditions described in the debt commitment letter. In the event any portion of the parent's debt financing becomes unavailable on the terms and conditions contemplated in the debt commitment letter, the parent is obligated to use its reasonable best efforts to arrange to obtain that portion from alternative sources on comparable or more favorable terms. The parent is obligated to keep us informed of the status of its efforts to arrange its equity and debt financing and to give us prompt notice of any material breach by any party of the debt commitment letter or of any termination of the debt commitment letter. The parent must consult with us before it permits any material amendment or modification to be made to, or any waiver of any material provision or remedy under, the debt commitment letter. With certain exceptions, we have agreed to provide, and to cause our subsidiaries and their representatives to provide, all reasonable cooperation in connection with the arrangement of the debt financing as may be reasonably requested by the parent.

Guarantee; Remedies

In connection with the merger agreement, Blackstone Real Estate Partners IV L.P. has agreed to guarantee the due and punctual observance, performance and discharge of all of the payment obligations and liabilities of the parent and the merger sub under the merger agreement, up to a maximum amount of $50 million. The guarantee will remain in full force and effect until the effective time of the merger or, if the merger agreement is terminated, until the second anniversary of the

EXHIBIT B

PRINT THIS ARTICLE

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LIGHTHOUSE GROUP BUYS EXTENDED STAY FOR $8 BILLION

19 April, 2007

In a major deal establishing the Lighthouse Group as the dominant player in a fast-growing market, the company purchased Extended Stay Hotels from a private equity company, the Blackstone Group, for $8 billion.

Extended Stay Hotels, which offers rooms with kitchenettes and primarily serves business travelers, operates under several brands, including Homestead Studio Suites and Crossland Economy Studios.

The deal will add 683 properties, with a total of 76,000 rooms, to the more than 18,000 residential units and approximately 30 million square feet Lightstone owns.

□With this purchase, we□ll control almost 60 percent of the extended-stay niche,□ said David Lichtenstein, Lightstone□s CEO.

Analysts have said they expect much more competition in such properties, said *The New York Times*. But because much of Extended Stay□s revenue comes from properties along the coasts, where it is more difficult to build, Mr Lichtenstein said he believed that the company was in a strong position.

□We think it□s a somewhat recession-proof industry,□ he said. □Even after 9/11, this sector did well.□

There was no shortage of hotel deals last year as about $90 billion worth of properties changed hands, almost double the amount in 2005.

The Lakewood, New Jersey-based Lightstone in the past has predominately been involved as the owner of malls and commercial real estate. This marked its first acquisition in the lodging industry.

□We consider ourselves opportunistic buyers, and there was an opportunity here," said Mr Lichtenstein told Bloomberg in an interview. If the economy suffers, budget-minded consumers will favor extended-stay properties, he said.

Among the most active hotel buyers and sellers has been Blackstone, the firm founded in 1985 by Stephen Schwarzman and Peter G. Peterson. Best-known for its private-equity arm, Blackstone's real estate group, formed in 1992, has invested in property assets valued at more than $43 billion.

Blackstone purchased Extended Stay America in 2004, paying almost $2 billion and assuming $1.13 billion of debt. Since then, it has added some 255 other properties, including Homestead Village, which it bought for $600 million in 2001.

Report by David Wilkening

Blackstone To Buy Extended Stay America for Nearly $2 Billion

Mar 9, 2004 12:00 PM, By Parke Chapman

Private equity firm Blackstone Group has agreed to acquire lodging chain Extended Stay America for $1.99 billion. With the purchase, Blackstone will assume $1.13 billion worth of Extended Stay America's debt.

Extended Stay, which chiefly serves corporate employees on long-term assignments, has 475 hotels in 42 states. Rates at an Extended Stay lodge ranged from $200 to $338 per week last year. The company's occupancy rate has suffered in recent years, dropping to 65% in 2003 from 80% in 2000. The firm also experienced a 29% decline in net income between 2002 and 2003.

Blackstone agreed to pay $19.62 per share for the lodging chain, which represented a 24% premium on its Friday close of $15.81 on the New York Stock Exchange.

"This transaction will benefit from our long track record and existing expertise in the hotel sector," said Stephen Schwarzman, Blackstone's president and CEO, in a statement.

EXHIBIT C

THE WALL STREET JOURNAL.
WSJ.com
DECEMBER 8, 2008

Extended Stay Could Transfer Chain to Lenders

By JEFFREY MCCRACKEN and ALEX FRANGOS

(*See Correction & Amplification below.*)

Extended Stay Hotels Inc. is in early talks that could result in turning the hotel chain over to its lenders, a sign of the deep trouble awaiting the commercial real-estate business.

Extended Stay's difficulties signal a new phase of distress in commercial real estate, because they arise directly from the weakening economy. Until now, problems have mostly involved developers unable to obtain refinancing for otherwise healthy operations.

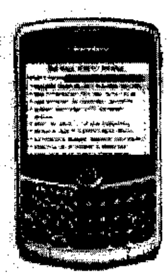
Getty Images

Lightstone Group LLC, Lakewood, N.J., bought Extended Stay from Blackstone Group LP for $8 billion in April 2007. The deal was highly leveraged, hastening Extended Stay's troubles. The chain has no major debt expirations due soon. But Extended Stay's cash flow is crashing, as business activity across the country contracts. That is putting fewer people in its 684 U.S. and Canadian hotels, used by corporate travelers on long assignments. Extended Stay has 13,000 employees. It is too soon to say if a takeover by lenders would result in layoffs or hotel closings, according to people familiar with the matter.

As conditions deteriorate, Extended Stay has been forced into discussions with its lenders, and people involved in the talks say a transfer of ownership could come within a month or two. Extended Stay has recently hired Lazard Ltd. as financial adviser and New York law firm Weil Gotshal & Manges as bankruptcy counsel.

One wrinkle in negotiations is that Extended Stay isn't likely to file for bankruptcy protection, because of provisions common in commercial mortgage-backed securities deals that would expose more properties of its founder, David Lichtenstein. A more likely path is for Mr. Lichtenstein to turn Extended Stay directly over to lenders or to swap enough equity for debt to give bondholders control of the company.

During the real-estate lending boom, Wall Street originated $600 billion of commercial mortgage-backed securities. The default rate on commercial mortgage debt has remained near historic lows, even while residential-related debt suffered a severe downturn.



THE WALL STREET JOURNAL.
WSJ.com

Need to Unwind
A look at Extended Stay Hotels properties

	hotels	rooms*
Extended StayAmerica	363	41,000
Homestead Studio Suites	132	17,000
Extended Stay Deluxe	109	11,200
StudioPLUS	46	3,600
Crossland	34	4,400

*Approximate Source: the company

But that is now beginning to change, sending new shock waves into much-battered banks, private-equity funds and other financial institutions that participate in the $3.4 trillion commercial real-estate debt market. Hotel landlords typically are the first to feel the pain in a downturn because hotels have the shortest leases in real estate -- one night at a time.

An Extended Stay failure reveals how a commercial real-estate downturn could ripple through the financial system. When Lightstone Group and preferred equity partner Arbor Realty Trust bought Extended Stay from private-equity firm Blackstone Group in 2007, it borrowed more than $7.4 billion. Wachovia Corp., Bank of America Corp., Merrill Lynch & Co. and Fortress Investment Group put in $3.1 billion in so-called mezzanine financing, which isn't as highly secured as other types of debt. People involved in the transaction say an analysis of the company's value shows that much or all of the mezzanine debt could be wiped out in any renegotiated deal. Bondholders have hired Houlihan Lokey Howard & Zukin for restructuring talks.

A spokesman for Lightstone declined to comment. Bank of America, Arbor Realty and Merrill Lynch also declined to comment.

Extended Stay is still meeting its debt service, but people familiar with the matter say it could default within the next 60 days if the economic downturn continues as expected. Revenue per available room, or RevPar, a common hotel-industry measure, will be down more than 10% this year at Extended Stay, according to someone familiar with the matter. Much of that decline has come in the last two months.

The Lightstone Group is run by Mr. Lichtenstein, a Brooklyn native who has rapidly accumulated a massive real-estate empire, mostly by focusing on markets eschewed by New York developers. Among his purchases are apartments in Detroit and malls in Shawnee, Okla., and Minot, N.D. After a purchase in 2004, he said: "We focus on Podunk, U.S.A."

The son of teachers, Mr. Lichtenstein's real-estate career began in the late 1980s with a two-family New Jersey house. Buying ever-larger properties, he eventually controlled a real-estate empire that includes apartment buildings, shopping centers and hotels, worth $13 billion at one point.

It is difficult to determine the value of Mr. Lichtenstein's holdings today because commercial real-estate values have generally declined 15% to 20% and more, in some cases. His properties include office buildings in Chicago, apartment buildings in second-tier cities like Birmingham and Detroit and a chain of outlet malls. In addition to real estate, in 2005, Mr. Lichtenstein became a majority owner of Park Avenue Bank, a small New York lender.

But it was the Extended Stay deal that was Mr. Lichtenstein's biggest. Extended Stay has operations in 44 states and Canada. It was also among his riskiest deals, as Lightstone, with help from Arbor Realty, arranged to put down just $600 million of equity, or 8% of the total price. (Blackstone, which made about $3 billion on the sale, kept an equity interest.) Mr. Lichtenstein saw increasing demand from business travelers who needed hotel accommodations for weeks or even months at a time. He also believed he could unlock value at Extended Stay by taking advantage of the chain's size and paying more attention to management.

A couple of months after the deal closed, Mr. Lichtenstein acknowledged the easy money that helped him complete the deal had disappeared. "We were one of the last deals in," he said.

Troubles also have surfaced at Lightstone's Prime Retail division, which owns roughly 30 malls and shopping centers in the U.S. and Puerto Rico. Lightstone has sought to turn over at least six of its malls to lenders after falling behind on debt payments.

Debt-laden landlords of all types of property are beginning to struggle staying current on their

THE WALL STREET JOURNAL.
WSJ.com

mortgages as rents fall and vacancies rise. New York City office space that had been renting for $120 a square foot is now being dumped on the sublease market for about half of that amount.

Write to Jeffrey McCracken at jeff.mccracken@wsj.com and Alex Frangos at alex.frangos@wsj.com

Correction & Amplification

There is $3.4 trillion of commercial real-estate debt outstanding. An earlier version of this article had incorrectly said the size of the commercial real-estate debt market was $1 trillion.Printed in The Wall Street Journal, page B1